

Audit and Risk Committee Charter

Aerometrex Ltd

ACN 153 103 925

Document

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Audit and Risk Committee Charter

1 Introduction

This Charter outlines the specific responsibilities delegated by the Aerometrex Ltd Board (**Board**) to the Audit and Risk Committee (**ARC or Committee**) and details the way the Committee will discharge its duties.

2 Role

The Committee is not a decision-making body however it assists and makes recommendations to the Board in relation to the governance and exercising of due care, diligence and skill in relation to:

- Monitoring the adequacy of the Company's corporate reporting processes;
- Financial reporting principles and policies, controls and procedures;
- Integrity of the Company's financial statements;
- Oversight of the external audit function;
- Review and oversight of risk management including internal controls;
- Compliance with applicable legal and regulatory requirements; and
- Perform any other duties and undertake or oversee any other specific projects as identified by the Board.

3 Membership of the Committee

The Board will appoint and remove the members of the Committee including the Committee's Chair with the Committee comprising at least three members. All members must be non-executive directors with the majority being independent.

The Chair of the Committee will be an independent non-executive director and will not be the Chair of the Board.

All members of the Committee must be financially literate with at least one member having accounting and /or related financial management expertise.

If a Committee member resigns or is removed from the Board, then their membership of the Committee automatically ceases at the same time.

The effectiveness and performance of the Committee will be reviewed by the Board at least annually.

4 Meetings

The Committee will meet at least twice per year with a quorum being formed with two members, one of which must be independent. It is expected that the Managing Director and the Chief Financial Officer will attend any meeting however the Committee may also invite any executive management

team members or other individuals, including the external auditor, to attend meetings of the Committee as they deem appropriate.

Directors who are not members of the Committee are encouraged to attend meetings in a non-voting capacity. Committee papers and minutes of Committee meetings will be distributed to all Board members with a report being presented by the Committee to the Board at the next Board meeting.

The Company Secretary or their delegate will act as secretary to the Committee.

5 Authority

The Committee has the delegated authority of the Board to discharge its duties and responsibilities of this Charter, subject to the Committee keeping the Board informed of its activities, and subject to any legal or regulatory obligation on the Board.

The Committee has the authority to:

- Discuss directly with any employee of the Company or the external auditor in relation to any issue within its remit in order to perform its duties;
- Obtain external accounting, tax, legal or other professional advice as it considers necessary and appropriate to discharge the responsibilities of this Charter;
- Approve accounting policies and procedures including audit methodology. Any issue of material importance will be referred to the Board for decision however the Committee will make an appropriate recommendation.

6 Duties and Responsibilities

The primary responsibility of the Committee is to report to the Board and provide appropriate recommendations on matters relevant to this Charter to enable the Board to make decisions.

a) Financial Management

The Committee will advise the Board on financial management and reporting matters, including the Company's financial and liquidity position, and review whether there are sufficient financial resources to achieve its strategic plan and monitor and confirm that it is able to meet its debts and other obligations when they fall due.

The Committee will review the Company's accounting policies to ensure their consistency and appropriateness in relation to the Company's operations. The Committee will assess the impact of any changes in accounting policies or standards and review recommendations for adoption of such changes in the financial statements.

The Committee will review, challenge and report to the Board on the adequacy and the appropriateness of the processes used to prepare the financial statements including the appropriateness of any accounting judgements or choices exercised by management. The

Committee will also review all representation letters signed by management in relation to the financial statements to ensure that all matters and issues have been addressed appropriately.

The Committee will review and report to the Board on the half year and full year financial reports including an assessment as to whether the reports are consistent with the Committee members' information and knowledge.

The Committee will review and make a recommendation to the Board for approval of the annual operating and capital expenditure (capex) budget including any proposed amendments to ensure alignment with the Company's strategic and business plans.

b) External Audit

The Committee will make recommendations to the Board in relation to the appointment, reappointment or replacement of the external auditor. The Committee will review and report to the Board on the effectiveness, performance and independence of the external auditor.

The Committee will review, approve and report to the Board on the remuneration, scope of works and adequacy of the audit plan, independence and rotation of the audit engagement partner.

The Committee will meet with the external auditors to review the audit outcomes and discuss any issues the external auditors wish to raise.

c) Internal Audit and Risk Management

The Board has determined that the current size of the Company cannot support an Internal Audit function with the cost to implement greater than potential benefit that may be realised however the Board will review this on a regular basis.

The Committee does however require management to identify and implement internal controls to effectively manage any material risks. Management must prepare a self-assessment of the risks and controls in place to mitigate those risks at least annually and present this report to the Committee. The Committee will review the effectiveness of the risk management plan reflecting the risk profile as identified by the Board. Ultimately the responsibility of the risk profile and risk management sits with the full Board.